



Corporate Social Responsibility Pays Off

By being good corporate citizens, companies can woo top talent, engage employees and raise productivity.

By Adrienne Fox

People who do charitable work often talk about how rewarding it is. Companies, too, have long been in the giving business for the same reason. But some organizations are finding that it's also financially rewarding to be socially responsible.

Call it the next generation of corporate philanthropy. Instead of simply writing checks to a charitable organization, companies are more closely integrating their cause agendas into their business strategies. It's called corporate social responsibility (CSR), also known as corporate sustainability or corporate citizenship. And it's paying off in many ways.

In today's post-Enron era, being an ethical, socially responsible company can attract investors, customers and top talent—and help ward off government regulators and environmental and labor activists.

Ben & Jerry's and The Body Shop pioneered the practice of marketing social responsibility as a business philosophy in the 1970s and 1980s. But the movement accelerated in recent years, spurred by the Sept. 11, 2001, terrorist attacks, corporate scandals and growing environmental concerns. >

"Company stakeholders, which include employees, customers, shareholders and society at large, are placing greater expectations on corporations," says Bob Willard, author of *The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line* (New Society Publishers, 2002) and former senior manager of leadership development at IBM Canada. "It's no longer enough to turn a good profit; you have to demonstrate that you didn't make that profit at the expense of employees, the environment or society."

Companies recognize CSR's dividends. Log on to the web site of any *Fortune* 500 company and you will likely find a

business opportunity is what Andy Savitz calls the "sweet spot." Savitz, a partner in the Sustainable Business Strategies consulting firm in Boston and author of *The Triple Bottom Line* (John Wiley & Sons, 2006), points to Toyota's success with the hybrid car Prius as an example. It helps protect the environment while driving the carmaker to the No. 1 spot in the United States.

Another example is London-based Unilever's Project Shakti in India, which is training thousands of women in rural India to sell the company's personal hygiene products to the country's vast, untapped rural market.

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prominent link to its CSR efforts, with some even launching massive media campaigns promoting their socially responsible endeavors. Think Gap's (Product) Red campaign for AIDS medicine, Citgo's low-cost heating oil for the poor, and GE's Ecomagination initiative to create clean technologies.

While HR has engaged in corporate philanthropy as a way to demonstrate good values, HR executives also are using CSR to position their companies competitively in a tight labor market, to engage current employees and to raise productivity.

The Business Case

CSR cannot be sold to executives as an "HR pet project," advises Gayle Porter, SPHR, GPHR, associate professor of the School of Business at Rutgers University in Camden, N.J.

"Even if you are taking the idea to executives that in spirit agree with corporate social responsibility, you are still going to have to make the business case for it," says Porter, who is a member of the Society for Human Resource Management's (SHRM) Corporate Social Responsibility Special Expertise Panel. "After all, those executives have to answer to shareholders or whoever is above them. It has to have some relationship to the business."

Where social good overlaps with

"Consumer products companies are trying to understand how to do business with very poor people that will raise them out of poverty," says Savitz. "It's a perfect example of the sweet spot—creating markets where none now exist."

Before people get cynical about making money out of a social cause, experts argue that a company cannot pursue sustainable environmental and social initiatives without being sustainable economically.

"It's a three-legged stool of profits, people and the planet where without one leg the rest fail," says Willard.

It's the people leg that provides the most direct impact for HR involvement.

A 2007 SHRM corporate social responsibility survey of 431 U.S. HR professionals found that 91 percent said their company participated in CSR practices. The most common practices consisted of some sort of donations and volunteering.

But among more strategic CSR initiatives, fewer than half said they considered the overall social impact of their business decisions; 34 percent monitor the impact of business on the environment; and only a quarter align product or company marketing with a social cause.

"HR is just starting to awaken to the connections between what its role is in some of the sustainability issues," says Willard.

► Online Resources

For additional information about corporate social responsibility, see the online version of this article at www.shrm.org/hrmagazine/07August for links to:

- A 2007 SHRM corporate social responsibility study.
- A SHRM Research Quarterly on Corporate Social Responsibility.
- A SHRM Workplace Visions report on social responsibility and HR strategy.
- A SHRM article on HR's role in adopting corporate social responsibility policies.
-  A SHRM video discussing the type of background a corporate responsibility consultant should have.
- A registry of companies' CSR reports.

When HR recognizes the opportunity, there are quantifiable returns. Willard has identified seven business benefits for companies pursuing a sustainability strategy, three of which fall under HR—enhanced recruitment, higher retention of top talent and increased employee productivity.

“The power of sustainability for HR is that it incorporates what HR is already doing, but it integrates it with the business and with other key functions of the company and ties the whole package to strategy and the business case,” says Savitz.

Once everything is packaged under CSR, HR can begin to leverage its efforts in related, but more strategic, ways, such as employment branding campaigns, employee engagement and enhanced productivity through environmentally friendly workspaces.

Employment Branding Through CSR

According to the 2003 *CSR Monitor* by GlobeScan, 70 percent of North American students surveyed said they would not apply for a job at a company deemed socially irresponsible. What’s more, the survey found that 68 percent disagreed that salary was more important than social responsibility. A 2003 Stanford University study, *Corporate Social Responsibility Reputation Effects on MBA Job Choice*, found that MBA graduates would sacrifice an average of \$13,700 in salary to work for a socially responsible company.

Talent-strapped companies have found that CSR can be a draw in a crowded labor marketplace and can grab the attention of a certain type of highly skilled, highly motivated employee.

Take Capgemini in the Netherlands. Last year, the IT consulting firm found itself facing the daunting challenge of filling 800 IT and management consulting positions in the Netherlands. “In all traditional markets, all of the recruiting efforts we were doing were the same as our competitors,” recalls Henk Wesselo, director of strategy and people relationship management.

Based on a suggestion from a company recruiter, Capgemini launched a market research tool to survey IT and management consultants on recruitment and retention factors.

Instead of going for the usual bait of awarding each respondent with a T-shirt or coffee mug for completion of the survey, Capgemini decided to fund a week of housing and schooling for poor children in India through a foundation in Kolkata.

The survey then morphed into a recruiting tool by asking respondents to “opt in” if they wanted to learn more about opportunities at the company and to submit their resumes.

The response was overwhelming. Nearly 10,000 responded to the 30-minute survey. More than 2,000 people who submitted resumes fit the profile for Capgemini. Soon after,



CSR Defined

The World Business Council for Sustainable Development, a Geneva-based global association of companies, defines corporate social responsibility (CSR) as “contributing to sustainable development by working to improve quality of life with employees, their families, the local community and stakeholders up and down the supply chain.”

The three main tenets of sustainability are profits, people and the planet. Companies that invest in all three successfully are heralded on lists such as the Corporate Citizenship list and the Most Admired Companies list, and vie to get accepted onto the Dow Jones Sustainability World Index (DJSWI). The DJSWI, which covers the top 250 world companies in terms of economic, environmental and social criteria, has gained 25 percent since its inception in 1999, and has outperformed the S&P 500 Index by 15 percent, according to PricewaterhouseCoopers.

The Global Reporting Index (GRI), based in Amsterdam, Netherlands, produces the generally accepted framework for companies reporting on sustainability. “The framework calls out 80 performance indicators in environmental, social and business performance.” Companies use those indicators to create CSR reports and register them with GRI. For more information on creating a report, see the online version of this article at www.shrm.org/hrmagazine/07August.

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800 candidates were interviewed, screened and hired. The remaining qualified candidates became part of a newly created Applicant Relationship Management project to keep in touch with until new positions open or are created.

Not only did Capgemini tie recruiting to CSR and fill 800 positions with what Wesselo says were top-quality candidates, but the company also received rich data to mine to tailor future recruiting efforts. In addition, media attention in the Netherlands for the campaign enhanced Capgemini's brand awareness among IT and management consultants as a socially responsible company.

The campaign also succeeded as an internal employee branding strategy as the company also donated two weeks of housing and schooling for the children in India for each employee referral who was hired during the campaign.

"We had a lot of direct impact but a lot of indirect impact as well," says Corporate Recruitment Manager Hein van Leeuwen, who ran the campaign. Most important, through its effort, Capgemini raised 10,400 weeks of housing and education for children in Kolkata.

Engaging Employees Through CSR

Instead of just cutting a check to a foundation, companies find that the connection between CSR and employee engagement is deeper if employees are directly involved.

"After years in HR, I'm convinced that the only thing that motivates employees is employees themselves," says Willard. "One of the most powerful catalysts for that is the opportunity to contribute to society, to make a difference and do something that resonates with [employees'] values."

For an example, look no further than GE, which is currently reaping the fruits of this proposition from its multibillion-dollar Ecomagination initiative.

"The way we engage people in citizenship is living out three pillars of our citizenship philosophy: Make money; make it ethically; make a difference," says Bob Corcoran, vice president of corporate citizenship at GE in Fairfield, Conn.

Launched by CEO Jeffrey Immelt in 2005, Ecomagination seeks to enhance financial and environmental performance to drive company growth.

The initiative sets out an ambitious plan to invest in clean technology research and development, introduce "green" products for its customers, and reduce the company's own greenhouse gas emissions. Every aspect of the initiative is driven by innovation from its employees.

"We engage employees not just in the design phase of products that came out of Ecomagination, but we have Ecomagination contests to come up with ways to reduce energy—such as relamping factories, using solar panels or finding new routes for delivery trucks," Corcoran says. "The intent is to engage [employees] to find solutions."

Those solutions include energy-efficient appliances, compact fluorescent lighting and wind turbine power.

"Green is green," says Corcoran, quoting Immelt. "There's money to be made in the environment and in making the world green."

Indeed, GE is doubling its investment in green technologies from \$750 million in 2004 to \$1.5 billion in 2009. And it plans to double revenues from certified green technologies from \$10 billion to \$20 billion over the same period.

"It's all about growth for the company," Corcoran says.

GE has developed an internal certification process called the Ecomagination Product Review scorecard that quantifies each product's environmental impacts and benefits relative to other products. The products are externally verified by an organization called GreenOrder.

Employee Solutions for the Environment

A CSR initiative doesn't have to be a massive billion-dollar project such as GE's to inspire employees to make a positive impact on the environment while making the company money or cutting expenses. It can be as simple as recycling or re-using materials that would otherwise end up in a landfill, or retrofitting a building to make it more environmentally sound.

"At its most basic, HR can ask employees how they can help the company save money environmentally," says Willard. "Turning off lights and computers at the end of the day is one example. But don't just pocket the money for the company. Share a percentage of the savings with employees. That's how you change the behaviors of employees."

To go even further, Savitz says HR should engage employees in environmental solutions through training and awareness and incentives.

One example of this is at Cascade Engineering, a plastics manufacturer based in Grand Rapids, Mich., with 1,100 employees. It provides employee training on what sustainability means and on how to participate in environmental solutions at the company.

"We have a number of employees with patents and encourage innovation," explains Kenyatta Brame, vice president of business services with responsibility for HR.

For example, the company developed a plastic BioSand water filter—to replace heavy concrete ones—that provides clean drinking water for people in developing countries. "It's very portable—about 8 pounds—and can provide fresh water for life for a family," says Fred Keller, founder and CEO of Cascade. Christian relief organization International Aid, based in Spring Lake, Mich., buys the filters and distributes them in Africa, raising money through individual and corporate donations and government and agency grants.

Cascade Engineering promotes employee involvement through an employee suggestion program. The basic philoso-

phy is to involve all employees in small, daily improvements in their work areas.

For example, "an employee designed a cart system that had different compartments to put scrap items in," says Brame. "Employees looked at those items to see which items could be recycled back into the production process. We reduced our waste to landfills and our expenses by incorporating this into our manufacturing process."

Working Greener, Smarter

Bringing green solutions to work environments can also improve productivity. Researchers at Carnegie Mellon University's (CMU) Intelligent Workplace design studio found that lighting improvements costing \$370,000 saved almost \$700,000 in energy and operating costs for a typical workplace.

Based on company case studies over the past five years, CMU was able to measure a 3.2 percent productivity gain, or \$1,600 per employee per year, on lighting improvements alone. If you have 1,000 employees, that would translate into productivity gains worth \$1.6 million per year.

Joan Wood, senior vice president of leadership and organization development at Cambridge, Mass.-based Genzyme, a biotechnology company, discovered productivity gains after the company moved into its green-certified Genzyme Center in

employees cited for their increased productivity was their increased sense of pride about Genzyme's commitment to the environment made through the new building," says Wood.

Other findings:

- 88 percent of those surveyed said the gardens improved their well-being.
- 75 percent said the clear glass design of the offices and cubicles increased their connection with colleagues.
- 72 percent of employees said they feel more alert and productive as a result of the natural lighting system, which reduces the need for artificial lighting.

Aside from the productivity gains, the new building saves the company money by using 34 percent less water than a comparable building and cutting electricity costs by 42 percent, according to Wood.

Spreading the CSR Message

To keep employees thinking about CSR solutions, more than two-thirds of U.S. companies with a formal CSR policy spread the word through company newsletters and other publications, according to the SHRM CSR survey. Only 9 percent produced a CSR annual report. (For more information on creating a CSR report, see the online version of this article at www.shrm.org/hrmagazine/07August.)

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November 2003. The building was certified by the U.S. Green Building Council's Leadership in Energy and Environmental Design Green Building Rating System, which is the nationally accepted benchmark for the design, construction and operation of high-performance green buildings, and has since been recognized with the council's highest level of certification—platinum.

The building has an all-glass facade with 18 gardens and conversational seating areas for employees. "It's a very collaborative company where functions need to work together to bring new products to market," says Wood.

After an initial survey of employees' reactions to the new building found that they felt more productive, Wood conducted a follow-up survey in 2005 focused on learning which physical features of the building most impacted increases in productivity.

"The biggest surprise for us was the No. 1 factor that em-

Cascade creates an annual CSR report and announces sustainability milestones companywide. "It's about understanding the problem and making a change," says Brame.

"The message of sustainability to individuals is quite powerful," adds CEO Keller. "We meet regularly and talk about what our [carbon] footprint is and ask what we can do to reduce our footprint. I haven't been to a meeting yet where people weren't excited about that."

Getting down to the individual level is important, says Brame. "Seeing sustainability day in and day out is hard. If you make the picture too big, people won't understand. If you take small aspects of it and relate it to people's jobs, and make them understand what they can do to effect change and make the company more sustainable, you can be successful." ■

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